

BLACKSTONE GAS COMPANY

TARIFF FOR

COST OF GAS ADJUSTMENT CLAUSE

1. Purpose: This cost of gas adjustment clause ("CGAC") establishes a procedure subject to supervision by the Department of Telecommunications and Energy("Department"), to adjust on a semi-annual basis, the rates for firm gas sales, in order to recover the cost of firm gas supplies, to reflect the seasonal variation in the cost of gas, and to credit non-firm sales and transportation margins and gas supplier refunds to firm ratepayers.

2. Applicability of Clause: This CGAC shall be applicable to the Blackstone Gas Company (the "Company") and all firm gas sales made by the Company, unless otherwise designated, and may, for good cause, be modified by the Department.

3. Cost of Firm Gas Allowable: All costs of firm gas including, but not limited to, commodity costs, demand charges, transportation fees, and costs associated with buyouts of existing contracts may be included in CGAC. Non-firm gas costs are not recoverable through this clause.

4. Effective Date of Clause: The date on which the seasonal Gas Adjustment Factors ("GAF") will become effective will be the first day of each season as designated by the Company. The peak season shall be defined as the months November through April, and the off-peak season shall be defined as the months May through October. Unless otherwise notified by the Department, the Company shall submit GAF filings at least 45 days before they are to take effect.

5. Gas Adjustment Factor Formula: The GAF shall be computed on a semi-annual basis using weather-normalized forecasts of seasonal gas costs, sendout volumes, and sales volumes. Full documentation shall be provided for all projections.

The seasonal GAF shall be computed based on the following formula:

$$GAF = C/V_p + R_b/V_a - (R_1+M)/V_a + WC; \text{ where}$$

## Untitled

C = Total projected seasonal gas costs;

Vp = Total projected seasonal firm gas sales;

Rb = Annual Reconciliation Adjustment;

Va = Total annual projected firm gas sales;

R1 = Annual Refund Amount; and

M = 75 percent of all non-firm revenue margins.

WC = Cost of Working Capital, defined as  $30/365 \times \text{Annual Gas Costs} \times \text{approved ROE}$ .

6. Gas Supplier Refunds: Refunds from suppliers of gas are credited to account 242.1, Undistributed Gas Suppliers Refunds. A refund program shall be initiated with each peak season GAF filing and shall remain in effect for a period of one year. The total dollars to be placed into a given refund program shall be the net of over/under-returns from expired programs plus monies received from suppliers since the previous program was initiated. Monies to be refunded through the program shall be distributed volumetrically, producing per-unit refund factors that will return the principal amount with interest as calculated using the Fleet Bank of Boston's prime lending rate.

7. Reconciliation Adjustments - Account 175: Account 175 contains the accumulated difference between gas cost revenues and the actual monthly gas costs incurred by the Company. Interest shall be calculated on the average monthly account 175 balance using the Fleet Bank of Boston prime lending rate and shall be added to each end-of-month balance. The Reconciliation Adjustment (Rb) shall be determined before each peak season based on the ending balance at the end of the preceding off-peak season, and shall remain in effect for a period of one year.

8. Application of GAF to Bills: The seasonal GAF in \$/CCF shall be calculated to the nearest hundredth of a cent per CCF and shall be applied to each firm gas customers monthly sales volume.

### 9. Other Rules:

(1) The Department may, where appropriate, on petition or on its own motion, grant an exception from the provisions of these regulations, upon such terms that it may determine to be in the public interest.

(2) The Company may, at any time, file with the Department an amended GAF. An amended GAF filing must be submitted 10 days before the first billing cycle of the month in which it is proposed to take effect.

(3) The Department may, at any time, require the Company to file an amended GAF.

Untitled

(4) The operation of the cost of gas adjustment clause is subject to all powers of suspension and investigation vested in the Department by G.L. c. 164.

10. Customer Notification: The Company will design a notice which explains in simple terms to customers the GAF, the nature of any change in the GAF, and the manner in which the GAF is applied to the bill.

Upon approval of the Department, the Company will immediately distribute these notices to all of its customers either through direct mail or with its bills.